

House File 635 - Introduced

HOUSE FILE 635

BY COMMITTEE ON COMMERCE

(SUCCESSOR TO HF 335)

A BILL FOR

1 An Act relating to the construction and installation of
2 geothermal heat pumps, providing income tax credits for such
3 construction and installation, and including effective date
4 and retroactive applicability provisions.
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. NEW SECTION. 422.11Y Geothermal heat pump tax
2 credit.

3 The taxes imposed under this division, less the credits
4 allowed under sections 422.12 and 422.12B, shall be reduced by
5 a geothermal heat pump tax credit under section 473B.2.

6 Sec. 2. Section 441.21, subsection 8, Code 2011, is amended
7 to read as follows:

8 8. a. Any normal and necessary repairs to a building, not
9 amounting to structural replacements or modification, shall not
10 increase the taxable value of the building. This paragraph
11 applies only to repairs of two thousand five hundred dollars
12 or less per building per year.

13 b. Notwithstanding paragraph "a", any construction or
14 installation of a solar energy system on property classified
15 as agricultural, residential, commercial, or industrial
16 property, or a geothermal heat pump on property classified
17 as residential, shall not increase the actual, assessed and
18 taxable values of the property for five full assessment years.

19 c. As used in this subsection, "*solar energy system*" means
20 either of the following:

21 (1) A system of equipment capable of collecting and
22 converting incident solar radiation or wind energy into
23 thermal, mechanical or electrical energy and transforming these
24 forms of energy by a separate apparatus to storage or to a
25 point of use which is constructed or installed after January
26 1, 1978.

27 (2) A system that uses the basic design of the building to
28 maximize solar heat gain during the cold season and to minimize
29 solar heat gain in the hot season and that uses natural
30 means to collect, store, and distribute solar energy which is
31 constructed or installed after January 1, 1981.

32 d. As used in this subsection, "*geothermal heat pump*"
33 means a system or equipment which uses the ground or ground
34 water as a thermal energy source to heat a residence or as a
35 thermal energy sink to cool a residence, which meets energy

1 efficiency standards and guidelines pursuant to the energy
 2 star program developed and jointly administered by the United
 3 States environmental protection agency and the United States
 4 department of energy in effect at the time of construction or
 5 installation.

6 ~~d.~~ e. In assessing and valuing the property for tax
 7 purposes, the assessor shall disregard any market value
 8 added by a solar energy system or a geothermal heat pump to a
 9 building. The director of revenue shall adopt rules, after
 10 consultation with the office of energy independence, specifying
 11 the types of equipment and structural components to be included
 12 under the guidelines provided in this subsection.

13 Sec. 3. NEW SECTION. **473B.1 Definitions.**

14 As used in this chapter, unless the context otherwise
 15 requires:

16 1. "*Allowable costs*" means amounts incurred in the
 17 construction or installation of a geothermal heat pump which
 18 are determined by the department by rule to qualify for the tax
 19 credit issued pursuant to section 473B.2.

20 2. "*Department*" means the department of economic
 21 development.

22 3. "*Geothermal heat pump*" means a system or equipment
 23 which uses the ground or ground water as a thermal energy
 24 source to heat a residence or as a thermal energy sink to
 25 cool a residence, which meets energy efficiency standards
 26 and guidelines pursuant to the energy star program developed
 27 and jointly administered by the United States environmental
 28 protection agency and the United States department of energy in
 29 effect at the time of construction or installation.

30 Sec. 4. NEW SECTION. **473B.2 Tax credit.**

31 1. A geothermal heat pump tax credit shall be issued for the
 32 allowable costs incurred in the construction or installation
 33 of a geothermal heat pump equal to five percent of the cost of
 34 the construction or installation, subject to a maximum credit
 35 of three thousand dollars. Any credit issued in excess of

1 tax liability for the taxable year during which construction
2 or installation occurs may be carried forward and applied in
3 future taxable years.

4 2. The credit shall be limited to allowable costs in
5 connection to a residence which is owned and used either as a
6 primary or vacation residence by a property owner applying for
7 the credit. Rental property shall not qualify as residential
8 property for purposes of the credit.

9 3. A geothermal heat pump shall not be required to include
10 water heating to qualify for the tax credit.

11 Sec. 5. NEW SECTION. 473B.3 Tax credit certificate —
12 application and issuance.

13 1. To receive a geothermal heat pump tax credit as described
14 in section 473B.2, a taxpayer shall file an application
15 with the department, the form and content of which shall be
16 determined by the department by rule. If upon receipt of a
17 completed application, the department finds that the person is
18 qualified for a geothermal heat pump tax credit, the department
19 shall calculate the amount of the tax credit for which the
20 person is eligible and shall issue a geothermal tax credit
21 certificate to the person or notify the person in writing
22 of its refusal to do so. The tax credit certificate may be
23 applied against tax owed pursuant to chapter 422, division II,
24 for the year in which the allowable costs were incurred.

25 2. A person whose application for a geothermal heat pump
26 tax credit certificate is denied may file an appeal with the
27 department within sixty days from the date of denial pursuant
28 to the provisions of chapter 17A.

29 3. If a geothermal heat pump tax credit certificate is
30 allowed with respect to a residence, and such residence is
31 sold, the credit for the period after the sale which would have
32 been allowable under this chapter to the prior owner had the
33 property not been sold shall be allowable to the new owner. A
34 tax credit for the year of sale shall be allocated between the
35 parties on the basis of the number of days during such year

1 that the property was owned by each.

2 Sec. 6. NEW SECTION. 473B.4 Reporting.

3 On or before January 1, annually, the department shall
4 submit a written report to the governor and the general
5 assembly regarding the number and value of geothermal heat
6 pump tax credit certificates issued under this chapter, and
7 any other information the department may deem meaningful and
8 appropriate.

9 Sec. 7. EFFECTIVE AND RETROACTIVE APPLICABILITY
10 DATES. This Act, being deemed of immediate importance, takes
11 effect upon enactment and is retroactively applicable to tax
12 years beginning on or after January 1, 2011.

13 EXPLANATION

14 This bill relates to the impact of the construction and
15 installation of geothermal heat pumps on residential property
16 values, and provides income tax credits for such construction
17 and installation.

18 The bill defines a "geothermal heat pump" to mean a system or
19 equipment which uses the ground or ground water as a thermal
20 energy source to heat a residence or as a thermal energy sink
21 to cool a residence, which meets energy efficiency standards
22 and guidelines pursuant to the energy star program developed
23 and jointly administered by the United States environmental
24 protection agency and the United States department of energy in
25 effect at the time of construction or installation.

26 The bill adds geothermal heat pumps to current provisions
27 involving solar energy systems providing that their
28 construction or installation will not increase the actual,
29 assessed, and taxable property values for five full assessment
30 years. This is limited to residential property in the case of
31 a geothermal heat pump.

32 The bill additionally provides that allowable costs, as
33 determined by the department of economic development, incurred
34 in the construction or installation of a geothermal heat pump
35 shall be eligible for a personal income tax credit of 5 percent

1 of the cost of construction or installation, up to a maximum
2 of \$3,000. The bill states that any credit issued in excess of
3 tax liability for the taxable year during which construction
4 or installation occurs may be carried forward and applied in
5 future taxable years, and that the credit shall be limited
6 to a residence which is owned and used either as a primary
7 or vacation residence, and shall not be applicable to rental
8 property.

9 The bill specifies tax credit certificate application and
10 issuance procedures, provides for the filing of an appeal in
11 the event an application is denied, and provides for credit
12 allocation in the event a residence is sold during the year in
13 which the tax credit applies.

14 The bill directs the department to submit a written report on
15 or before January 1 annually to the governor and the general
16 assembly regarding the number and value of geothermal heat pump
17 tax credit certificates issued and any other information the
18 department deems meaningful and appropriate.

19 The bill takes effect upon enactment and applies
20 retroactively to tax years beginning on or after January 1,
21 2011.